

Risk Factors Comparison 2025-03-13 to 2024-04-15 Form: 10-K

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An investment in our securities involves a high degree of risk. An investor should carefully consider the risks described below, together with all of the other information included in this annual report, before making an investment decision. Our business, financial condition or results of operations could suffer as a result of these risks. In that case, the market value of our securities could decline, and an investor may lose all or part of his or her investment. Summary of Risk Factors: • We have incurred net losses since our inception and may continue to incur losses. • We operate in a highly competitive market and the size, resources and brand name of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our revenue and profitability. • We depend on advances in technology by other companies and if those advances do not materialize or are not accessible to us, some of our anticipated new products could be delayed or cancelled. • Our products could infringe on the intellectual property rights of others. • If we lose our rights under our third- party technology licenses, our operations could be adversely affected. General Business and Industry Risks We reported a net loss of \$ ~~50-73~~, ~~149-538~~, ~~077-157~~ for the year ended December 31, ~~2023-2024~~; ~~a net loss of \$ 40-50~~, ~~763-149~~, ~~573-077~~ for the year ended December 31, ~~2022-2023~~, and ~~a net loss of \$ 40~~, ~~377-763~~, ~~160-573~~ for the year ended December 31, ~~2021-2022~~. We have an accumulated deficit of \$ ~~293-367~~, ~~984-522~~, ~~793-950~~ as of December 31, ~~2023-2024~~. We may not achieve or maintain profitability in the future. We will need to increase sales in order to achieve and maintain profitability. In addition, we expect that our expenses relating to product development and research, sales and marketing, as well as our general and administrative costs, may increase as our business grows. If we do not achieve and maintain profitability, our financial condition will ultimately be materially and adversely affected, and we would eventually be required to raise additional capital. We may not be able to raise any necessary capital on commercially reasonable terms or at all. If we fail to achieve or maintain profitability ~~on a quarterly or annual basis within the timeframe expected by investors~~, the market price of our common stock may decline. We operate in a highly competitive and complex market and believe our future success depends in part on our ability to effectively manage the growth and increased complexity of our business. The following factors could present difficulties to us: • Managing our ongoing research and development efforts associated with the development of new products based on emerging and innovative technologies; • Managing product quality issues to minimize higher- than- expected warranty claims or returns that could harm our business and operating results; • Managing our rights under our third- party technology licenses to avoid losing any competitive advantages in the market or the ability to commercialize certain products or technologies completely, which could substantially decrease our revenues; • Managing our marketing initiatives effectively to generate sufficient levels of product and brand awareness; • Managing our technical support, firmware or software updates on products to maintain customer satisfaction; • Managing the need to replace and regularly introduce on a timely basis new products and technologies, enhance existing products, and effectively stimulate customer demand for new products and upgraded or enhanced versions of our existing products; **and** • Managing the maintenance and further development of our sales channels for our products, including developing and supporting our value- added resellers (VARs), distributors and retail sales channels, many of which offer products from several different manufacturers and could give a higher priority to selling other companies' products. The size, resources and brand name of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our revenue and profitability. The market for head- worn display devices, including AR and **AI** Smart Glasses, is highly competitive. Further, we expect competition to intensify in the future as existing competitors introduce new and more competitive offerings alongside their existing products, and as new market entrants introduce new products into our markets. **To date, the market for smart glasses is in its early stages, with no single company achieving a dominant or leading position.** We compete against established, well- known diversified consumer electronics manufacturers including Samsung Electronics Co., Sony Corporation, **Meta**, LG Electronics (LGE), HTC, **and** Lenovo, and many of our current competitors have substantial market share, longer operating histories, larger intellectual property portfolios, diversified product lines, ability to bundle competitive offerings with our products and services, well- established supply and distribution systems, strong worldwide brand recognition and greater financial, marketing, research and development and other resources than we do. Moreover, smartphones, tablets, and new wearable devices with ever- expanding video display screens, including foldable and expandable screens, and ever- increasing computing power have significantly improved the mobile personal computing experience. In the future, ~~most all~~ large consumer electronics manufacturers of those devices, such as Apple Inc., Samsung, LGE, Lenovo, Alphabet / Google, Snap, Garmin, Meta / Facebook, Microsoft and others may design or develop products similar to ours. In addition to competition or potential competition from large, established companies, new companies may emerge and offer competitive products. Further, our current and prospective competitors may consolidate with each other or acquire companies that will allow them to develop products that better compete with our products, which would intensify the competition that we face and may also disrupt or lead to termination of our distribution, technology and content partnerships. Increased competition may result in pricing pressures and reduced profit margins and may impede our ability to increase the sales of our products, any one of which could substantially harm our business and results of operations. Our lack of long- term purchase orders and commitments from our customers may lead to a rapid decline in our sales. All of our customers **for our Vuzix branded products** issue purchase orders solely at their own discretion, often shortly before the requested date of shipment. ~~Our~~ **These** customers are generally able to cancel orders (without penalty) or delay the delivery of products on relatively short notice. In addition, our current customers may decide not to purchase products from us for any reason. If those customers do not continue to purchase our products, our sales volume

could decline rapidly with little or no warning. ~~17~~**We cannot currently rely on long-term purchase orders or commitments to protect us from the negative financial effects of a decline in demand for our products. We typically plan our production and inventory levels based on internal forecasts of customer demand, which are highly unpredictable and can fluctuate substantially. The uncertainty of product orders makes it difficult for us to forecast our sales and allocate our resources in a manner consistent with our actual sales. Moreover, our expense levels and the amounts we invest in capital equipment and new product development costs are based in part on our expectations of future sales and, if our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. As a result of these and other factors, investors should not rely on our revenues and our operating results for any one quarter or year as an being indication indicative of our future revenues or operating results. We depend on advances in technology by other companies and if those advances do not materialize, some of our anticipated new products could be delayed or cancelled. We rely on and will continue to rely on technologies (including micro-displays, mobile computing electronics and operating systems) that are developed and produced by other companies. The commercial success of certain of our planned future products will depend in part on advances in these and other technologies by other companies. We may, from time to time, contract with and support companies developing key technologies in order to accelerate the development of them for our specific uses. Such activities might not result in useful technologies or components for us. ~~We are attempting to mitigate this risk by exploring ways to develop our own micro-display technologies using microLED and laser scanning displays, but there can be no assurance that we will be successful in doing so.~~ If micro-display-based personal displays or near-eye displays do not gain greater acceptance in the market for **head worn or** mobile displays, our business strategy may fail. The mobile display market is dominated by displays larger than one-inch, most of which are **currently** based on direct view liquid crystal display (LCD) and organic light emitting display (OLED) technology. A number of large established global companies have made and continue to make substantial investments in, and are conducting research to improve characteristics of, handheld direct view LCDs and OLED displays. Advances in direct view LCD and OLED technology, microLED or other technologies, including foldable and stretchable displays may overcome current market limitations and permit them to remain or become more attractive technologies for personal viewing applications, which could limit the potential market for our near-eye display and computing technology and cause our business strategy to fail. There are a number of competing providers of micro-display-based personal display technology, including smart glasses, and we may fail to capture a substantial portion of the personal wearable display market. In addition to competing with direct view displays, we also compete with micro-display-based personal **and wearable** display technologies that have been developed by many other companies. Numerous other start-up companies have announced their intentions to offer smart glasses and **AI/AR products and developer kits in the near future.** Most of our competitors have greater financial, marketing, distribution and technical resources than we do. Moreover, our competitors may succeed in developing new micro-display-based personal display technologies and near-eye display products that are more affordable or have more desirable features than our technology. If our products are unable to capture a reasonable portion of the smart wearable display market, our business strategy may fail. Our products **may** ~~could likely~~ experience declining unit prices and we may not be able to offset that decline with production cost decreases or higher unit sales. In the markets in which we compete, prices of established consumer electronics displays, personal computers, and mobile products tend to decline significantly over time or as new enhanced versions are introduced, frequently every 12 to 24 months. In order to maintain adequate product profit margins over the long term, we believe that we will need to continuously develop product enhancements and new technologies that will either slow price declines of our products or reduce the cost of producing and delivering our products. While we anticipate many opportunities to reduce production costs over time, we may not be able to reduce our **necessary** component costs. We expect to attempt to offset the ~~18~~**anticipated** ~~anticipated potential~~ decrease in our average selling price by introducing new products, increasing our sales volumes or adjusting our product mix. If we fail to do so, our results of operations will be materially and adversely affected. ~~Our~~**15****Our** business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected. With the growth of mobile devices ~~and personal voice assistants~~, cloud services and AI, the number of supporting platforms has grown, and with it the complexity and increased need for us to have business or contractual relationships with the platform owners in order to produce products compatible with these platforms and enable access to and use of these platforms with our products. Our product strategy includes current and future products designed for use with third-party platforms or software, such as iPhone, Android phones, Google Assistant and Amazon Alexa. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners who are competitors may limit or decline access to their platforms, and in any case have a competitive advantage in designing products for their own platforms and may produce products that work better, or are perceived to work better, than our products in connection with those platforms. **We As we expand the number of platforms and software applications with which our products are compatible, we may not be successful in launching products for those platforms or software applications and / or we may not be successful in establishing strong relationships with the new platform or software owners, which could negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications. We may otherwise fail. If we are unable to navigate various new relationships access third-party platforms or technologies, which or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affect affected our relationships with existing platform or software owners.** Our access to third-party platforms may also require paying a royalty or licensing fee, which lowers our product margins or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our having excess inventory, lower margins, or customer support issues. ~~If we are unable to access third-~~**

party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected. Our MicroLED and exclusive license and investment with Atomistic may not be renewed and its carrying value may be not recoverable. The Company signed a series of agreements with Atomistic SAS (“Atomistic”), a French company that is developing new microLED displays and related technologies. These agreements provided for an exclusive license by the Company of key microLED technology, for cash commitments totaling \$ 30 million (which has been fully paid as of the date of this 10-K report) along with equity issuance commitments to be made by the Company relating to certain deliverables and the achievement of performance milestones by Atomistic. This is a multi-year project, with much of it being research and development work regarding new IP. If this technology takes longer to commercialize, or fails to achieve its expected results, the future value of the license and Vuzix’ issued share investments would be at risk and could result in the full loss of those related amounts on our financial statements. Further, until the Company achieves a near 100 % ownership in Atomistic by the issuance of Vuzix shares for the completion of development milestones, or is permitted to waive them and accelerate the share issuances to gain 100 % ownership of Atomistic, the Company and the current owners of Atomistic must negotiate every 12 to 24 months new funding contributions for the extension of the Company’s exclusive license. If such amounts cannot be reasonably negotiated or would be considered too large by Vuzix in the future, failure to pay the additional license fees would result in the termination of Vuzix’ existing license to the Atomistic technologies. Our use of open- source software could negatively affect our ability to sell our products and could subject us to possible litigation. We incorporate open- source software into our products. Open- source software is generally licensed by its authors or other third parties under open- source licenses. Some of these licenses contain requirements that we make ~~19~~available **available** source code for modifications or derivative works we create based upon the open- source software, and that we license such modifications or derivative works under the terms of a particular open- source license or other license granting third parties certain rights of further use. Additionally, if a third- party software provider has incorporated open- source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of our licensed software. If an author or other third- party who distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our products that contained the open source software, and be required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business and financial condition. Our operating results may be adversely impacted by worldwide political, economic, public health uncertainties, wars and specific conditions in the markets we address. Any worsening of global economic, financial, or public health conditions, including global pandemics, such as COVID- 19, could materially adversely affect (i) **demand our ability to raise, or for our current and future products the terms of, needed capital**; (ii) **demand our ability to raise, for or our current and future products the terms of, needed capital**; and (iii) the supply of components for our products. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery, or such impact on the display industry. Due to our significant level of international operations, including the use of foreign suppliers and contract manufactures, we are subject to international operational, financial, legal, political and public health risks which could harm our operating results. We purchase product components from our suppliers and engage third- party contract manufacturing firms to perform electronic circuit board and cable assemblies. We assemble our finished products ~~to in~~ **to in** our plant in West Henrietta, **New 16**New York. Additionally, we use our West Henrietta, New York facility for the production of waveguides and their related display engines and intend to do so for some time. In the future, our mature products could have their final assembly performed outside the United States, **including at facilities owned by our new strategic partner Quanta Computer**. Accordingly, a substantial part of our operations, including manufacturing of certain components used in our products, could be outside of the United States and many of our customers and suppliers have some or all of their operations in countries other than the United States. Risks associated with our doing business outside of the United States include: • compliance burdens and costs with a wide variety of foreign laws and regulations, particularly labor, environmental and other laws and regulations that govern our operations in those countries; • legal uncertainties regarding foreign taxes, tariffs, border taxes, quotas, export controls, export licenses, import controls and other trade barriers; • economic instability and high levels of inflation in the countries of our suppliers and customers, particularly in the Asia- Pacific region, causing delays or reductions in orders for their products and therefore our sales; • political or public health instability, including global pandemics, such as COVID- 19, in the countries in which our suppliers operate; • changes or volatility in currency exchange rates; and • difficulties in collecting accounts receivable and longer accounts receivable payment cycles. Any of these factors could harm our own, our suppliers’ and our customers’ international operations and businesses and impair our and / or their ability to continue expanding into international markets. ~~20~~Cybersecurity **Cybersecurity** risks could adversely affect our business and disrupt our operations. The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber- attacks such as viruses and worms, phishing attacks, denial- of- service attacks, physical or electronic break- ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of **our customer and** consumer confidence. In addition, we may be the target of email scams that attempt to acquire personal information or Company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber- attack that attempts to obtain our or our users’ data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services,

and adversely affect our operating results and financial condition. Our business and financial performance may be adversely affected by cyber- attacks on information technology infrastructure and products, as well as changes in cybersecurity and if our information technology security systems were infiltrated and confidential and / or proprietary information were taken, we could be subject to fines, lawsuits and loss of customers. Significantly larger organizations with much greater resources than us have been the victim of cybercrimes. We routinely receive emails probing our Internet security, and our Internet security systems have detected outside organizations attempting to install Trojan virus software packages in our systems. We rely on our electronic information systems to perform routine transactions to run our business. We transact business over the Internet with customers, vendors and 17 and our subsidiaries and have implemented security measures to protect against unauthorized access to this information. We have also implemented security policies that limit access via the Internet from the Company to the outside world based on the individual's position in the Company. We routinely receive security patches from software providers for the software we use. Our primary concerns are inappropriate access to personnel information, any information covered under the International Traffic in Arms Regulation, product designs and manufacturing information, financial information and our intellectual property, trade secrets and know- how. Our business may be impacted by disruptions to our own or third- party information technology (IT) infrastructure, which could result from, among other causes, cyberattacks on or failures of such infrastructure or compromises to its physical security. Cybersecurity threats are continuously evolving and include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers, suppliers, subcontractors and other third parties with whom we do business routinely, both on premises and in the cloud, attempting to gain unauthorized access to our confidential, proprietary, or otherwise protected information, classified information, or information relating to our employees, customers and other third parties, or to disrupt our systems or the systems of third parties. We are also exposed to the risk of insider threat attacks. Any such attacks could disrupt our systems or those of third parties, impact business operations, result in the unauthorized release of confidential, proprietary, or otherwise protected information, and corrupt our data or that of third parties. The threats we face are continuous and evolving and vary in degree of severity and sophistication. These threats include advanced persistent threats from highly organized adversaries, including but not limited to cyber criminals, nation states and so- called hacktivists, particularly those adverse to the security interests of the U. S. and its allies, which target us and other defense contractors. These types of threats are related to the geopolitical environment and have, therefore, grown in number due to recent geopolitical conflicts. In addition, as a result of the rapid pace of technological change, we and our customers, suppliers, subcontractors and other third parties with whom we conduct business continue to rely on legacy systems and software, which can be more vulnerable to cyber threats and attacks. Moreover, we, like other companies, are seeing an unprecedented number of previously unknown vulnerabilities, for which there are no known mitigations, being revealed by new attacks. Further, the sophistication, availability and use of artificial intelligence by threat actors present an increased level of risk. Due to the evolving threat landscape, we have experienced and expect to continue to experience more frequent and increasingly advanced cyber- attacks. In addition, changes in domestic and international cybersecurity- related laws and regulations have expanded cybersecurity- related compliance requirements, and cybersecurity regulatory enforcement activity has grown. We expect the regulatory 21 environment-- environment to continue to evolve, and staying apace with these regulatory changes could increase our operational and compliance expenditures and those of our suppliers, and lead to new or additional IT and product development expenses. We also face reputational, litigation and financial risks in relation to potential required disclosures and increased risk of enforcement. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cybersecurity threats, as well as to comply with evolving regulations. However, given the unpredictability, nature and scope of cyber- attacks, it is possible that we are unable to defend against all cyber- attacks, that potential vulnerabilities could go undetected and persist in the environment for an extended period, or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks. In some cases, we must rely on the safeguards put in place by our customers, suppliers, subcontractors and other third parties to protect against and report cyber threats and attacks. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromise of confidential information, intellectual property or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our or third- party systems, networks or products, financial losses from remedial actions, loss of business, or potential liability, penalties, fines and / or damage to our reputation. Any of these could have a material adverse effect on our competitive position, results of operations, financial condition or liquidity. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted. We may lose the services of key management personnel and may not be able to attract and retain other necessary personnel. Changes in our management could have an adverse effect on our business and, in particular, while our staff is relatively small with just under 100-70 employees and full- time foreign contractors globally, we are dependent upon the active participation of several key management personnel, including Paul Travers, our President and Chief Executive Officer-18 Officer. Mr. Travers is critical to the strategic direction and overall management of our Company as well as our research and development process. The loss of Mr. Travers could adversely affect our business, financial condition, and operating results. We do not carry key person life insurance on any of our senior management or other key personnel. Our Executive Vice President and Chief Financial Officer, Grant Russell, a Canadian citizen, currently has his principal residence in Vancouver, Canada and a second residence in West Henrietta, New York. If he becomes unable to travel to and work in the United States, his ability to perform some of his duties could be materially adversely affected. We need to hire and retain highly skilled technical personnel as employees and independent contractors in order to develop our products and grow our business. The competition for highly skilled technical, managerial, and other personnel is at times intense. Our human capital and labor issues related to recruiting and retention success is substantially dependent upon our ability to offer competitive salaries and benefits to our employees. We must compete with

companies that possess greater financial and other resources than we do and that may be more attractive to potential employees and contractors. To be competitive, we may have to increase the compensation, bonuses, stock options, **stock awards**, and other fringe benefits we offer to employees in order to attract and retain such personnel. The costs of retaining or attracting new personnel may have a material adverse effect on our business and operating results. If we fail to attract and retain the technical and managerial personnel required to be successful, our business, operating results and financial condition could be materially adversely affected.

Operational RisksThe manufacture of waveguides encompasses several complex processes, and several steps of our production processes are dependent upon certain critical machines and tools which could result in delivery interruptions, which could adversely affect our operating results. Our product technology and manufacturing processes are evolving which can result in production challenges and difficulties. We may be unable to produce our products in sufficient quantity and quality to maintain existing customers and attract new customers. In addition, we may experience manufacturing problems which could result in delays in delivery of orders or product introductions. We currently do not have full equipment redundancy in our manufacturing facility. If we experience any significant disruption in the operation of our manufacturing facility or a ~~22~~**serious** failure of a critical piece of equipment, we may be unable to supply products to our customers in a timely manner. Interruptions in our manufacturing could be caused by equipment problems, the introduction of new equipment into the manufacturing process or delays in the delivery of new manufacturing equipment. Lead-time for delivery, installation, testing, repair and maintenance of manufacturing equipment can be extensive. We have experienced production interruptions in the past and no assurance can be given that we will not lose potential sales or be able to meet production orders due to future production interruptions in our manufacturing lines. Our waveguide and display engine products are subject to lengthy OEM development periods. We intend to sell some of our ~~waveguide~~ **waveguides as components** and **in some cases, related** display engines with micro- displays, to **ODMs / OEMs** with the objective that they then incorporate them into products they sell. To date, this business has not been a material contributor to our overall revenues, but it could become so in the future. ~~OEMs~~ **These types of customers** determine during their product development phase **and when and** whether they will incorporate our products **into their solutions**. The time elapsed between initial sampling of our products by **ODMs / OEMs**, the custom design of our products to meet specific ~~OEM~~ product requirements, and the ultimate incorporation of our products into **their ODM / OEM** products **is can be** significant, often with a duration of between ~~one~~ **six months** to two years or even longer. If our products fail to meet our eventual ~~OEM~~ customers' cost, performance or technical requirements or if unexpected technical challenges arise in the integration of our products into ~~OEM consumer~~ **their overall** products, our operating results could be significantly and adversely affected. Long delays in achieving customer qualification and incorporation of our products also could adversely affect our business. ~~We~~ **19** We depend on third parties to provide integrated circuit chip sets, micro- displays and other critical components for use in our products. We do not manufacture the integrated circuit chip sets, microprocessors, wireless chips, optics, micro- displays, backlights, projection engines, printed circuit boards or other electronic components which are used in our products. Instead, we purchase them from third- party suppliers or rely on third- party independent contractors for these integrated circuit chip sets and other critical components, some of which are customized or custom made for us. We also may use third parties to assemble all or portions of our products. Some of these third- party contractors and suppliers are small companies with limited financial resources. In addition, any partial or full government- mandated shutdowns resulting from health epidemics like COVID- 19 may cause supply chain disruptions. If any of these third- party contractors or suppliers were unable or unwilling to supply these ~~integrated circuit chip sets~~ or other critical components to us, we would be unable to manufacture and sell our products until a suitable replacement supplier could be found. We may be unable to find, if and when needed, a replacement third- party contractor or supplier on reasonable terms or in a timely manner. Any interruption in our ability to manufacture and distribute our products could cause our business to be unsuccessful. Our dependence on sales to **VARs**, distributors, ~~VARs~~ and **other** resellers increases the risks of managing our supply chain and may result in excess inventory or inventory shortages. Many of our various reseller relationships for our Smart Glasses and **AI / AR** products and their accessories could involve such resellers taking inventory positions and reselling to multiple customers. Under some possible **future** distributor relationships, we would not recognize revenue until the distributors sell the product to their end user customers and receive payment thereon; however, at this time we do not currently enter into these types of arrangements. Our **VAR and** distributor ~~and VAR~~ relationships may reduce our ability to forecast sales and increase risks to our business. Since our distributors and VARs would act as intermediaries between us and the end user customers or resellers, we would be required to rely on our distributors to accurately report inventory levels and production forecasts. This may require us to manage a more complex supply chain and monitor the financial condition and credit worthiness of our distributors and VARs and their major end user customers. Our failure to manage one or more of these risks could result in excess inventory or shortages that could adversely impact our operating results and financial condition. ~~23~~ ~~We~~ **We** rely on third- party suppliers, some of which are sole-source suppliers, to provide components for our products which may lead to supply shortages, long lead times for components, and supply changes, any one of which could disrupt our supply chain, may increase our costs, and may cause us to be unable to meet the demands of our customers and end- users on a timely basis. Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. All of the components that go into the manufacturing of our smart glasses products and accessories, other than waveguide optics, are sourced from third- party suppliers. The availability of certain of the components that we require to produce our AR Smart Glasses and other near- eye display products may decrease. Some of the key components used to manufacture our products come from a limited or single source of supply, or by a supplier that could potentially become a competitor. Our contract manufacturers generally purchase these components on our behalf from approved suppliers. We are subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Further, the electronic components we utilize can go end- of- life due to technological changes, which can require us to invest in

implementation costs of alternatives and the potential for the forced obsolescence of other related items. We have in the past experienced end-of-life issues and expect to see more shortages in the future. As such, the availability of these components may be unpredictable. ~~We do not currently own or operate any manufacturing facilities for any types of micro-displays, one of the key components in our products. Certain other components and services necessary for the manufacture of our products are available from only a limited number of sources, and other components and services are only available from a single source.~~ Our relationship with these source companies generally is on a purchase order basis and these firms do not have a contractual obligation to provide adequate supply or acceptable pricing to us on a long-term basis. These firms could discontinue sourcing components for us at any time. If any of these firms were to discontinue their relationship with us, or discontinue providing specific products to us, and we are unable to contract with a new supplier that can meet our requirements, or if they or such other supplier were to suffer a disruption in their production, we could experience ~~disruption~~ **disruption** of our inventory flow, a decrease in sales and the possible need to re-design our products. Any such event could disrupt our operations and have an adverse effect on our business, financial condition and results of operations. Several new LCOS, alternative OLED, as well as microLED suppliers have begun offering micro-displays suitable for use in our products. With new tooling and electronics, any one of these alternative displays could be incorporated into our products but our costs of production could be higher, they may offer less performance, and, as a result, may make our products too costly and less desirable. Our facilities and information systems and those of our key suppliers could be damaged as a result of disasters or unpredictable events, which could have an adverse effect on our business operations. We operate the majority of our business from one campus location in West Henrietta, New York (a suburb of Rochester). We also rely on third-party manufacturing plants in the United States and Asia and third-party logistics, sales and marketing facilities in Japan and Europe, and in other parts of the world to provide key components for our products and services. If major disasters such as earthquakes, pandemics, fires, floods, wars, terrorist attacks, computer viruses, transportation disasters or other events occur in any of these locations, or our information systems or communications network or those of any of our key component suppliers breaks down or operates improperly as a result of such events, our facilities or those of our key suppliers may be seriously damaged, and we may have to stop or delay production and shipment of our products. We may also incur expenses relating to such damages. If production or shipment of our products or components is stopped or delayed or if we incur any increased expenses as a result of damage to our facilities, our business, operating results and financial condition could be materially adversely affected. Financial and Market ~~Risks~~ **Risks** We have not paid dividends in the past and do not expect to pay dividends in the future on our common stock. We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition, and other business and economic factors affecting us at such time as our Board of Directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on a stockholders' investment will only occur if our stock price appreciates. Our stock price may be volatile in the future. The trading price of our common stock has been subject to wide fluctuations in response to quarter-to-quarter variations in results of operations, announcements of technological innovations or new products introduced by us or our competitors, general conditions in the **wearable**, wireless communications, consumer electronics, semiconductor and display markets, changes in ~~earnings~~ **our operating results** estimates by **financial** analysts or other events or factors. In addition, the public stock markets recently have experienced high price and trading volatility. The risks related to rising inflation ~~and~~, rising interest rates ~~and the imposition of tariffs~~ could have a material impact on our revenues and costs. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock. There is uncertainty regarding the exclusive forum clause in our amended and restated bylaws. Our amended and restated bylaws include a clause that provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain types of actions that may be brought against us. There is uncertainty as to whether we would seek to, or whether we could successfully, apply this exclusive forum provision to any actions that may be brought against us under the Securities Acts. ~~Additional~~ **Additional** stock offerings in the future may dilute then existing stockholders' percentage ownership of our Company. Given our capital plans, needs and expectations, we may issue additional shares of common stock, preferred stock or securities convertible or exercisable for shares of common stock, including convertible preferred stock, convertible notes, stock options or warrants. The issuance of additional securities in the future will dilute the percentage ownership of the then existing stockholders. If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected. The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventories, product warranty reserves, accounting for income taxes, **going concern, carrying value of long-term and other intangible assets, software development costs, variable interest entities**, and stock-based compensation expense. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our common stock. Our results of operations may suffer if we are not able to successfully manage our increasing exposure to foreign exchange rate risks. A majority of our sales and cost of components are denominated in U. S. dollars. As our business grows, both our sales and production costs may increasingly be denominated in other currencies. Where such sales or production ~~costs~~ **costs** are denominated in other currencies, they are converted to U. S. dollars for the

purpose of calculating any sales or costs to us. Our sales may decrease as a result of any appreciation of the U. S. dollar against these other currencies. The majority of our current expenditures are incurred in U. S. dollars and many of our components come from countries that currently peg their currency against the U. S. dollar. If the pegged exchange rates change adversely or are allowed to float up, additional U. S. dollars will be required to fund our purchases of these components. Although we do not currently enter into currency option contracts or engage in other hedging activities, we may do so in the future. There is no assurance that we will undertake any such hedging activities or that, if we do so, they will be successful in reducing the risks to us of our exposure to foreign currency fluctuations. ~~We may not achieve some or all of the anticipated benefits of our equity investments. At December 31, 2023, we had equity investments in companies totaling \$ 5. 8 million, where we have limited, if any, control over their governance, financial reporting and operations. As a result, we face certain operating, financial and other risks relating to these investments, including risks related to the financial strength of the investments. These investments may not contribute to our earnings or cash flows. In addition, these companies currently in receipt of our investment dollars may be required to raise additional capital, which may result in our ownership percentage being decreased.~~ Legal and Regulatory Risks Our business and products are subject to government regulation and we may incur additional compliance costs or, if we fail to comply with applicable regulations, may incur fines or be forced to suspend or cease operations. In our current business and as we expand into new markets and product categories, we must comply with a wide variety of laws, regulations, standards and other requirements governing, among other things, electrical safety, wireless emissions, health and safety, e- commerce, consumer protection, export and import requirements, hazardous materials usage, product- related energy consumption, packaging, recycling and environmental matters. Compliance with these laws, regulations, standards and other requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction (including from country to country), further increasing the cost of compliance and conducting business activities. Our products may require regulatory approvals or satisfaction of other regulatory concerns in the various jurisdictions in which they are manufactured, sold or both. These requirements create procurement and design challenges that require us to incur additional costs identifying suppliers and manufacturers who ~~can~~ **can** obtain and produce compliant materials, parts and products. Failure to comply with such requirements can subject us to liability, additional costs and reputational harm and, in extreme cases, force us to recall products or prevent us from selling our products in certain jurisdictions. If there is a new regulation, or change to an existing regulation, that significantly increases our costs of manufacturing or causes us to significantly alter the way that we manufacture our products, this would have a material adverse effect on our business, financial condition and results of operations. Additionally, while we have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that our employees, contractors and agents will not violate such laws and regulations or our policies and procedures. Our products must comply with certain requirements of the U. S. Federal Communications Commission (FCC) regulating electromagnetic radiation in order to be sold in the United States and with comparable requirements of the regulatory authorities of the EU, Japan, China and other jurisdictions in order to be sold in those jurisdictions. Our **AI / AR** smart glasses products include wireless radios and receivers which require additional emission testing. We are also subject to various environmental laws and governmental regulations related to toxic, volatile, and other hazardous chemicals used in the third-party components incorporated into our products, including the Restriction of Certain Hazardous Substances Directive, or RoHS and the EU Waste Electrical and Electronic Equipment Directive, or the WEEE Directive, as well as the implementing legislation of the EU member states, such Directive which restricts the distribution of products within the EU that exceed very low maximum concentration amounts of certain substances, including lead. Similar laws and regulations have been passed or are pending in China, Japan, and numerous countries ~~26~~ **around** ~~around~~ the world and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations. From time to time, our products are subject to new domestic and international requirements. Compliance with regulations enacted in the future could substantially increase our cost of doing business or otherwise have a material adverse effect on our results of operations and our business. Any inability by us to comply with regulations in the future could result in the imposition of fines or in the suspension or cessation of our operations or sales in the applicable jurisdictions. Any such inability by us to comply with regulations may also result in our not being permitted, or limit our ability, to ship our products which would adversely affect our revenue and ability to achieve or maintain profitability. Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with the supply chain transparency requirements, such as RoHS Directive, we cannot provide assurance that our manufacturers and suppliers consistently comply with these requirements. In addition, if there are changes to these or other laws (or their interpretation) or if new related laws are passed in other jurisdictions, we may be required to re- engineer our products to use components compatible with these regulations. This re-engineering and component substitution could result in additional costs to us or disrupt our operations or logistics. The WEEE Directive requires electronic goods producers to be responsible for the collection, recycling and treatment of such products. Changes in interpretation of the Directive may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with this Directive, or with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, substantial product inventory write- offs, reputational damage, penalties and other sanctions, which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material impact on our results of operations or cash flows and, although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business and financial condition. ~~We are subject to risks related to environmental, social and governance activities and disclosures (ESG) and sustainability requirements. Concern over climate change may result in new or additional legal, legislative and regulatory requirements to reduce or mitigate the effects of climate change on the environment,~~

which could result in future tax, transportation and other cost increases that could adversely affect our business. Compliance with such requirements could also require additional expenditures by us or our suppliers, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, ESG reporting and disclosure requirements are continuing to evolve, with increasing global regulation and heightened investor expectations. Companies must develop an expanded set of metrics and measures, data collection and processing, controls, and reporting processes in order to meet regulatory requirements and stakeholder expectations. Failure to promptly and accurately meet these expectations and requirements may result in reputational and brand damage, regulatory penalties and litigation, among other things. Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain materials used in the manufacturing of our products. As a public company, we are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, that require us to determine, disclose and report whether or not our products contain conflict minerals. These requirements could adversely affect the sourcing, availability and pricing of the 23the materials used in the manufacture of components used in our products. In addition, we have and will continue to incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in, or necessary for the production of, our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such 27verification-- verification activities. We also may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to alter our products, processes or sources of supply to avoid such materials. We could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act or similar anti-bribery laws in other jurisdictions in which we operate. The global nature of our business and the significance of our international revenue create various domestic and local regulatory challenges and subject us to risks associated with our international operations. We operate in areas of the world that can experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery and anticorruption laws may conflict with local customs and practices. Our global operations require us to import and export to and from several countries, which geographically expands our compliance obligations. In addition, changes in such laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. The As a U. S. Foreign Corrupt Practices Act (FCPA), the U. K. Bribery Act 2010 (U. K. Bribery Act), and similar anti-bribery and anticorruption laws in other jurisdictions generally prohibit U. S.-based companies company we and their intermediaries from making improper payments to non-U. S. officials for the purpose of obtaining or retaining business, directing business to another, or securing an advantage. In addition, U. S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. Under the FCPA, U. S. companies may be held liable for the corrupt actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. If As such, if we or our intermediaries fail to comply with the such requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and / or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results and financial condition. We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets. The U. S. and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to U. S. export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls, and exports of our products must be made in compliance with these laws. Furthermore, U. S. export control laws and economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U. S. sanctions. Even though we take precautions to prevent our products from being provided to targets of U. S. sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue. If significant tariffs or other restrictions are placed and maintained on Chinese imports or any related counter-measures are taken by China, our revenue and results of operations may be materially harmed. If additional significant tariffs or other restrictions are placed on Chinese imports or any related counter-measures are taken by China, our revenue and results of operations may be materially harmed. Since July 2018, the US Administration introduced a list of thousands of categories of goods that began facing tariffs of up to 25 %, inclusive of many components and services we have sourced or have performed for us in China by suppliers there. These tariffs currently affect most of our products and we may be required to raise our prices on those products due to the tariffs, which may result in a loss of customers and harm our operating performance. If the existing tariffs are expanded or interpreted by a court or governmental agency to apply to any of our other products, we may be required to raise our prices on those products also, which may further result in a loss of customers and harm our operating performance. It is possible further tariffs will be imposed on imports of our products, or that our business will be impacted by retaliatory 28trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could materially harm our revenue or operating results. Changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations and financial condition. The new U. S. government may administration is currently alter altering its approach to international trade policy, including through the renegotiation, and potential termination, of certain existing bilateral or multilateral trade agreements and treaties with, and the imposition of tariffs on a wide range of products and other goods from China, countries in EMEA Canada, Mexico, and other countries in Europe and Asia. Given our manufacturing in some of those countries, and our lack of manufacturing elsewhere, policy changes in the United States or other

countries, such as the tariffs already proposed, implemented and threatened, present particular risks for us. There are also risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. To the extent that trade tariffs and other restrictions imposed by the United States or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the United States or other countries, or create adverse tax consequences, the sales, cost or gross margin of our products may be adversely affected and the demand from our customers for products and services may be diminished. We ~~24~~ collect, store, process and use portions of our customers' personally identifiable information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, information security and data protection. Any cybersecurity breaches or our actual or perceived failure to comply with such legal obligations by us, or by our third- party service providers or partners, could harm our business. While we take reasonable measures intended to protect the security, integrity and confidentiality of ~~the any~~ personal information and other sensitive information we collect, store or transmit, we cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information. While our privacy policies currently prohibit such activities, our third- party service providers or partners may engage in such activity without our knowledge or consent. If we or our third- party service providers were to experience a breach, disruption or failure of systems compromising our customers' data, or if one of our third- party service providers or partners were to access our customers' personal data without our authorization, our brand and reputation could be adversely affected, use of our products could decrease and we could be exposed to a risk of loss, litigation and regulatory proceedings. Our products could infringe on the intellectual property rights of others. Companies in the consumer electronics, wireless communications, semiconductor, IT and display industries steadfastly pursue and protect intellectual property rights, often times resulting in considerable and costly litigation to determine the validity of patents and claims by third parties of infringement of patents or other intellectual property rights. Our products could be found to infringe on the intellectual property rights of others. Other companies may hold or obtain patents or inventions or other proprietary rights in technology necessary for our business. Periodically, other companies inquire about our products and technology in their attempts to assess whether we violate their intellectual property rights. If we are forced to defend against infringement claims, we may face costly litigation, diversion of technical and management personnel, and product shipment delays, even if the allegations of infringement are unwarranted. If there is a successful claim of infringement against us and we are unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, or if we are required to cease using one or more of our business or product names due to a successful trademark infringement claim against us, it could adversely affect our business. Our intellectual property rights and proprietary rights may not adequately protect our products. Our commercial success will depend substantially on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the United States and other countries. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that these assets are covered ~~29~~ ~~by~~ ~~by~~ valid and enforceable patents, trademarks, copyrights or other intellectual property rights, or are effectively maintained as trade secrets. As of the date of this filing, we have ~~194-246~~ issued U. S. and foreign patents and ~~178-180~~ pending U. S. and foreign patent applications. We apply for patents covering our products, services, technologies and designs, as we deem appropriate. We may fail to apply for patents on important products, services, technologies or designs in a timely fashion, or at all. We do not know whether any of our patent applications will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect our products, services, technologies, or designs. Our existing and future patents may not be sufficiently broad to prevent others from developing competing products, services technologies, or designs. Intellectual property protection and patent rights outside of the United States are even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty. We rely in part on unpatented proprietary technology, and others may independently develop the same or similar technology or otherwise obtain access to our unpatented technology. We require employees, contractors, consultants, financial advisors, suppliers and strategic partners to enter into confidentiality and intellectual property assignment agreements (as appropriate), but these agreements may not provide sufficient protection for our trade secrets, know-how or other proprietary information. ~~Human~~ ~~25~~ ~~Human~~ Capital Resources As of December 31, ~~2023~~ ~~2024~~, our consolidated business employed ~~76~~ ~~just~~ ~~under~~ ~~100~~ individuals. **A small percentage of the U. S. and non- U. S. employees are full- time or part- time contractors. None of our employees are covered by a collective bargaining agreement.** Our management and professional employees have significant prior experience in optical design, mechanical design, software, electronics, manufacturing, and other related technologies. Our employees are in the U. S., Europe and Japan and the laws regarding employee relationships are different by jurisdiction. Some non- ~~US-U. S.~~ employees are full- time contractors. ~~None of our employees are covered by a collective bargaining agreement.~~ We have policies **both in the workplace and in our hiring** to prevent discrimination based on gender, race, ethnicity, nationality, religion, ~~or~~ ~~sexual orientation~~, ~~gender identity or gender expression.~~ ~~We take affirmative action to ensure that applicants are hired, and that employees are treated during employment without regard to their race, ethnicity, religion, sex, or national origin.~~ We also take affirmative action to employ and advance veterans in employment. We consider relations with our employees to be ~~very~~ good. We have adopted a Code of Business Conduct and Ethics regarding the standards of conduct of our directors, officers and employees. The code is reviewed and updated periodically by our Board of Directors and is available on our website at www.vuzix.com. Environmental, Social & Governance (ESG) Initiatives We strive to create and maintain a working environment that fosters honesty and hard work and rewards all of our employees' hard work. We endeavor to make Vuzix a place in which people are proud to be associated. With the growing awareness of environmental and social issues, we are in the process of creating a more formalized ESG strategy. Our initial process for the strategy creation includes soon forming a cross- functional ESG team of leaders representing operations, human resources, supply chain, finance, marketing, and facilities departments. We will also utilize third- party facility, environmental and legal consulting services, as necessary. These third- party consultants will be assisting us in creating an ESG materiality assessment from which we can

develop a baseline assessment for monitoring our progress. Our progress in creating our ESG strategy and other related activities is reported to the Board of Directors. We provide recurring Company- wide communication of our formal values: Integrity Team Customers Uphold Ethical Standards in Our Performance Treat Everyone with Respect Quality Customer Service Through Collaborative Success Keep Our Commitments Encourage Open Communication Provide Industry Leading Products Protect Our Intellectual Property Promote Critical Thinking and Innovation Maintain Confidentiality and Protect **any** Customer Intellectual Property **30** For ----- **Property For** additional information, see" Item 1 – Business: Human Capital Resources ” in this Form 10-K. We strive to create a workplace based on the following principles and goals: Care for Our People ● We believe in upholding the principles of human rights, worker safety, and observing fair labor practices within our organization. ● We respect different viewpoints and perspectives, and ultimately individual thoughts create innovation and achieve better results. We continually evaluate how we provide organizational training, formalize Company values, and revitalize recruitment strategy. **26** ● We are committed to employee safety. We have installed safety protocols and monitoring systems. We have periodic audits by third parties to test our systems and perform preventative maintenance. Our policies prohibit an employee from being alone in our production facilities or in unsupervised areas of our facilities. Environmental Responsibility ● We are committed to protecting the natural environment and our community by complying with all applicable legal and regulatory requirements. We maintain an environmental management system and a specific framework for implementing relevant sustainable practices. ● We ask our employees to help us contribute towards environmental sustainability by looking for opportunities to conserve energy, reduce consumption of natural resources, preserve air and water quality, manage waste properly, reuse and recycle, and reduce the use of toxic substances in our operations where possible, including, in particular, in our clean room and lab facilities. Our clean room facility emissions are less than permitting and reporting thresholds, and we track emissions monthly to verify compliance with the regulations. ● We look for ways to reduce energy consumption in our facilities. ● We make and sell products that are generally considered more environmentally friendly than alternative computing devices and in most of their actual use by customers reduce their travel needs, either locally or across the world with their remote presence capabilities, and consume significantly less power or raw materials to manufacture than are typically used or required for laptop or tablet computers. Ethics & Corporate Responsibility ● We are committed to ensuring ethical organizational governance and embracing diversity and inclusion in the board room and throughout the organization. ● We are committed to observing fair, transparent, and accountable operating practices. ● We seek to create and foster a healthy, balanced, and ethical work environment for everyone in our organization. To this end, we promote an ethical organizational culture and encourage all employees to raise questions or concerns about actual or potential ethical issues and Company policies and to offer suggestions about how we can make our organization better. We have a Whistleblower Ethics Hotline that includes global telephone access and online access. We have an independent third party periodically test the Whistleblower Ethics Hotline. Supply Chain Responsibility **31**